

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 11, 2021

Long Beach Senior, located at 901-945 E Pacific Coast Highway in Long Beach, requested and is being recommended for a reservation of \$1,892,209 in annual federal tax credits to finance the new construction of 67 units of housing serving special needs tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 33 and Assembly District 70.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the MHP program of HCD.

Project Number CA-21-639

Project Name Long Beach Senior
 Site Address: 901-945 E Pacific Coast Highway
 Long Beach CA, 90806 County: Los Angeles
 Census Tract: 5732.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,892,209	\$0
Recommended:	\$1,892,209	\$0

Applicant Information

Applicant: Mercy Housing California 95, L.P.
 Contact: Erika Villablanca
 Address: 1500 S. Grand Avenue Suite 100
 Los Angeles CA, 90015
 Phone: 213 743 5826
 Email: evillablanca@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing California 95 LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Mercy Housing Calwest
 Developer: Mercy Housing California
 Bond Issuer: California Municipal Finance Authority
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 68
 No. / % of Low Income Units: 67 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD-VASH Project-based Vouchers (18 units - 27%) / HUD Section 8 Project-based Vouchers (15 units - 22%) / HOME

Information

Housing Type: Special Needs
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Sopida Steinwert

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 34	51%
40% AMI: 24	36%
80% AMI: 9	13%

Unit Mix

7 SRO/Studio Units
 60 1-Bedroom Units
1 2-Bedroom Units
 68 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 SRO/Studio	30%	\$621
11 1 Bedroom	30%	\$665
15 1 Bedroom	30%	\$554
24 1 Bedroom	40%	\$887
1 1 Bedroom	30%	\$245
9 1 Bedroom	80%	\$1,330
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,426,718
Construction Costs	\$23,050,107
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,448,706
Soft Cost Contingency	\$183,810
Relocation	\$0
Architectural/Engineering	\$1,586,872
Const. Interest, Perm. Financing	\$2,899,225
Legal Fees	\$223,919
Reserves	\$833,011
Other Costs	\$2,266,560
Developer Fee	\$4,746,344
Commercial Costs	\$0
Total	\$42,665,272

Residential

Construction Cost Per Square Foot:	\$385
Per Unit Cost:	\$627,430
True Cash Per Unit Cost*:	\$622,461

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo - Tax Exempt	\$21,076,258	LACDA AHTF	\$7,000,000
Wells Fargo - Taxable	\$7,763,024	Long Beach HOME	\$3,000,000
Long Beach HOME	\$3,000,000	HCD MHP	\$13,247,000
LACDA AHTF	\$7,000,000	GP Capital	\$100
Deferred Costs	\$1,979,425	GP Developer Fee	\$2,246,344
GP Capital	\$100	Deferred Developer Fee	\$337,931
Deferred Developer Fee	\$337,931	Tax Credit Equity	\$16,833,897
Tax Credit Equity	\$1,508,534	TOTAL	\$42,665,272

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$36,388,640
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$47,305,232
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,892,209
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,746,344
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.88964

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions:

This project's cost per unit is currently estimated at \$622,461. The applicant noted the costs are attributed to the City of Long Beach requirements for alley widening and utility undergrounding. In addition, payment of prevailing wage is required.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.